

Your ref: 2023Sep0032

24 November 2023

The Competition Commission
Private Bag X23, Lynnwood Ridge
0040, South Africa

Attention: **Mr Themba Mahlangu**
[Per email: Tembam@compcom.co.za]

Copy: **Mr Ndivhuwo Moleya**
[Perm email: Ndivhuwom@compcom.co.za]

**THE PROPOSED TRANSACTION BETWEEN THE PREPAID COMPANY PROPRIETARY LIMITED
AND CELL C LIMITED: CASE NO.: 2023SEP0032**

Dear Mr Mahlangu,

We refer to your correspondence and information request (“RFI”) dated 27 October 2023. Vodacom hereby provides the responses to the Competition Commission’s (“the Commission”) questions below by referring to the question in the relevant paragraph in the Commissions RFI.

1. Re paragraph 9: The Commission requests that you provide the following general information in respect of your company:

- 1.1. the full registered and trading names of your company:** Vodacom Proprietary Limited.

Vodacom (Pty) Ltd
Vodacom Corporate Park
082 Vodacom Boulevard, Midrand, 1685
Private Bag X9904, Sandton, 2146
Phone: +27 (0)11 653 5000

vodacom.com

Directors: MS Aziz Joosub (Group CEO and Chairman), S Mdlalose (CEO)*, R Nkabinde (Financial Director), NM Mashigo, RK Morathi, TE Netshitenzhe, B Ngwenya, TD-M Nel RAS Tayob. Company Secretary: NR Imasiku
*British
Reg. No. 1993/003367/07

- 1.2. **the names of the person responsible for responding to this request for information from your company:** Amanda Grobler.
- 1.3. **the telephone numbers of your company:** 011 653 5000.
- 1.4. **the email address of your company:** Amanda.grobler@vodacom.co.za.
- 1.5. **the physical address of your company:**
Corporate Park
082 Vodacom Boulevard
Vodavalley
Midrand
Johannesburg, RSA

General information about the business operations of your company in the relevant markets

2. **Re paragraph 10: Clearly indicate where your company operates in the supply chain for the provision of mobile network products/services.**

Vodacom Proprietary Limited (operating as Vodacom) is a South African mobile communications company, providing GSM services such as voice, messaging, data, and converged services to over 51 million customers, which include the sale of starter packs for means of connectivity to the network; recharge of airtime; hardware sales and devices, such as handsets, routers, laptops, tablets and IOT devices to be used in conjunction with the mobile service. Vodacom's customers comprise of prepaid and postpaid as well as consumer and enterprise customers.

In addition to enterprise mobility services, Vodacom also provides enterprise services ranging from fixed line communication and connectivity, cloud, hosting, and security as well as Internet of Things to name a few.

3. **Re paragraph 11: Describe your company's business activities, clearly indicating the products and/or services that your company provides in competition with Cell C and those it supplies to TPC.**

Vodacom products and services provided in competition with Cell C

Vodacom provides the following prepaid and postpaid services to consumer and enterprise customers in competition with Cell C, namely the sale of starter packs; airtime and GSM services; hardware sales and devices, such as handsets, routers, laptops, tablets and IOT devices; as well as potentially fibre in the future. Also included are value added services such as content subscriptions and WASP services.

Vodacom products and services provided to TPC

Vodacom provides the following prepaid services for consumer and enterprise customers to TPC, namely sale of starterpacks; airtime and GSM services; hardware sales and devices, such as handsets and potentially routers and laptops, tablets and IOT devices as well as potentially fibre in the future. Also included are value added services such as content subscriptions and WASP services.

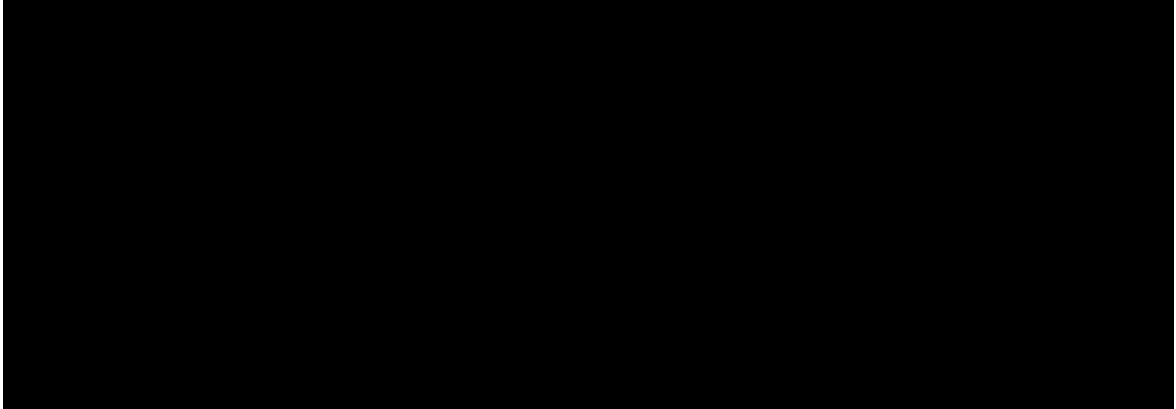
4. **Re paragraph 12: Kindly provide the estimated market shares of your company and its competitors in the broad upstream market for provision of mobile network products based on the number of subscribers.**

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5. **Re paragraph 13: Kindly provide the total revenue of your company in respect of the upstream market for the supply of mobile network products. Use the below table as a guide:**

[REDACTED]	[REDACTED]		
	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]		
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]		
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]		

6. **Re paragraph 14: Kindly confirm whether your company has entered into any agreements with either TPC or competitors of TPC in the downstream market for the bulk or wholesale supply and resale of mobile network products/services. If so, please indicate the duration of the agreements for each product/service provided by each firm mentioned above.**



7. **Re paragraph 15: Kindly provide an indication and detailed explanation of the factors that your company take into consideration when you choose a wholesaler of bulk or wholesale supply and resale of mobile network products/services.**
- **Due Diligence** - Vodacom would conduct a thorough assessment of the potential business partner's background, reputation, and business history. This includes evaluating their business track record, footprint in market and in their ability to meet contractual obligations.
 - **Financial Standing** - It's crucial for Vodacom to assess the financial stability of the business partner. Vodacom would analyse the partner's financial statements, creditworthiness, and liquidity to ensure that they can sustain the partnership over the long term.
 - **Regulatory Compliance** - Vodacom requires assurance that the business partner complies with all relevant laws and regulations, such as RICA, data protection, BBEEE and consumer rights.
 - **Health and Safety Standards** - Vodacom would assess the business partner's commitment to health and safety standards to ensure the safety of employees and customers.
 - **Good Governance and Ethics** - Vodacom would evaluate the partner's corporate governance practices and ethical standards to ensure alignment with their own values and to avoid any reputational risks.
 - **Customer Experience** - Consideration is given to the impact on the end-user experience. The business partner's ability to provide responsive customer support and handle customer complaints is vital and should be on the same level as that of Vodacom or higher.

8. **Re paragraph 16: Kindly indicate how much in percentage terms, does the purchases by TPC account for your company total sales or revenue of mobile network products/services distributed by TPC for the years 2020, 2021, 2022 and 2023. Add VSA Revenue Figures to calculate % Contribution**



Market dynamics

9. **Re paragraph 17: In the event TPC refuses to buy from your company or it decided to buy on the unfavourable terms, would your company have alternative wholesalers to distribute its mobile network products/services? If so, kindly provide a list of the alternative suppliers in order of importance.**

Yes, please see the list of potential alternative suppliers below:

1. Smartcall (Airtime, Prepaid Products and Services).
2. Flash (Airtime, Prepaid Products and Services).
3. Vocall (Airtime, Prepaid Products and Services).
4. Q-Mart (Prepaid Products and Services).
5. Crown (Prepaid Products and Services).
6. Blue Cellular (Prepaid Products and Services).
7. RA cellular (Airtime).
8. Virtual Payment solutions (Airtime).
9. Nedbank (Airtime).
10. FNB (Airtime).
11. Standard Bank (Airtime).
12. Ithala Bank (Airtime).
13. ABSA(Airtime).
14. Vodapay.

10. Re paragraph 18: Kindly indicate whether your company is able to easily switch between different wholesale distributors of mobile network products/services. Please provide a motivation for your response in this regard.

Vodacom has the capability to switch between different Wholesale distributors of mobile products and/or services. Vodacom will need to assess and evaluate the alternate distributors based on the requirements below. Should the requirements below not be met by the alternative Wholesale distributors, Vodacom will still be dependent on TPC:

- The distributor must have a strong/ favourable distribution footprint:
 - Adapting to a different distribution network requires careful planning and may result in disruptions.
 - Further, a new distribution footprint may not align seamlessly with existing markets and customer expectations.
- Credit profile:
 - Vodacom will need to establish a new credit relationship with an alternate distributor and this involves re-evaluating credit terms and limits.
 - Transitioning to a new wholesale partner requires building trust in the financial stability and credit history of the new partner.
 - Adding more credit terms to the alternate distributors could potentially impact their current insurance premiums for the credit risk taken.
- Vodacom will also have to evaluate the systems and tools to manage the downstream partners, for instance their terminals to sell airtime.
- Technical Capabilities:
 - Integrating new technical systems and platforms can pose challenges affecting order processing and communication.
 - Differences in technical capabilities between partners may require additional investments in training and technology.
- Vodacom would also have to accommodate the commercial structure with the alternative wholesalers to allow for incentivisation with downstream partners. This needs to be factored into their commercial agreements and could take time to implement due to the nature of the business at hand, namely negotiations, contract amendments, viability, and feasibility amendments to systems etc..
- The change that comes with switching to alternate distributors could potentially impact on other strategic business revenue generating areas for Vodacom.

11. Re paragraph 19: Kindly indicate whether your company has changed wholesale distributors of mobile network products/services in the last 3 years. If so, give reasons for the decision.

Vodacom has not implemented any material changes in wholesale distributors of mobile network products/ services in the last 3 years.

12. Re paragraph 20: Kindly indicate whether the proposed transaction is likely to have any impact on your business. If so, please provide a detailed explanation and provide the Commission with any additional information you deem relevant in this regard.

- There will be an impact if the following is not managed:
 - Information is not correctly ring fenced – thus information sharing and flow, including the sharing of the following:
 - Information and market insights relating to sale of Vodacom products and services.
 - Information on Vodacom's commercial construct and terms of Vodacom's products being shared with Cell C.
- There is a risk that TPC can offer Cell C more favourable terms versus ourselves, which could therefore give preference to Cell C products.
- It could increase the transactional cost of credit that Vodacom has provided to TPC.

13. Re paragraph 21: Please indicate whether your company has any concerns or comments regarding the proposed transaction. If so, please provide a detailed explanation of your concerns/ comments.

- There will be an impact if information was not correctly ring fenced and managed. – This management of information flow includes the following:
 - Information and market insights relating to sale of Vodacom products and services.
 - Information on the commercial construct and terms of Vodacom's products being shared with Cell C.
- There is a risk that TPC could offer Cell C more favourable terms versus ourselves, which could give preference to Cell C products.
- There is a risk that Cell C could influence customers to port to them via TPC or TPC's distribution channel.

14. Re paragraph 22: If your company does have concerns from a competition and/or public interest perspective, kindly provide any potential remedies that can address the concerns identified.

- The Competition Commission could impose measures in the form of information barrier requirements (Chinese walls) to protect Vodacom's confidential and competitively sensitive information from flowing or being shared with Cell C and TPC's competing business(es). It is important that implementation and maintenance of these measures can be verified by Vodacom on a regular basis.
- TPC should have non-discriminatory terms across all the Mobile Network Operators and further may not agree to act exclusively for one Mobile Network Operator only.
- TPC should be prohibited from having exclusivity provisions in agreements with downstream channel partners for the resale of airtime.
- TPC in turn should have non-discriminatory incentives applied across their distribution channel of starterpacks and airtime to prevent hidden cross-subsidisation between Cell C and TPC.

- TPC should be prohibited from receiving incentives from Cell C linked directly or indirectly to the porting of customers from other networks to Cell C through TPC.
- TPC should be prohibited from providing incentives to its downstream agents of starterpacks and airtime linked directly or indirectly to the porting of customers from Vodacom to Cell C.

Confidentiality claim

Vodacom hereby claims confidentiality in respect of the information and/or documents submitted to the Commission in this correspondence and attach a completed Form CC7 hereto.

Yours sincerely



Amanda Grobler
EHOD: Group Legal